

Message Text

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47

ACTION NEA-10

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R 161300Z MAY 76

FM AMEMBASSY MANAMA BAHRAIN

TO SECSTATE WASHINGTON DC 3037

INFO AMEMBASSY ABU DHABI UAE

AMCONSUL DHAHRAN SAUDI ARABIA

AMEMBASSY DOHA QATAR

AMEMBASSY JIDDA SAUDI ARABIA

AMEMBASSY KUWAIT KUWAIT

AMEMBASSY MUSCAT OMAN

AMEMBASSY TEHRAN IRAN

UNCLAS MANAMA 585

E.O. 11652: N/A

TAGS : EFIN, BA, TC

SUBJECT : EXPERIMENT IN USE OF UAE DIRHAM IN BAHRAIN

REFERENCE : (A) ABU DHABI 0007 (NOTAL), (B) MANAMA 0004 (NOTAL)

1. THE BAHRAIN MONETARY AGENCY (BMA) TOOK THE EXPERIMENT IN USAGE OF THE UNITED ARAB EMIRATE DIRHAM A STEP FURTHER IN THE MONTH OF APRIL BY INCLUDING "SOME" (UP TO SEVENTY-FIVE PERCENT) UAE CURRENCY IN THE PAY PACKETS OF ALL GOVERNMENT SERVANTS. AT THE SAME TIME IT ENCOURAGED THE PRIVATE SECTOR TO EXPERIMENT SIMILARLY.

2. THE EXPERIMENT APPARENTLY HAD SEVERAL MOTIVATING FACTORS. AMONG THEM: (A) DESIRE TO TEST "FLEXIBILITY" OF BAHRAINI PUBLIC AND MERCHANTS TO USE OF NEIGHBORING CURRENCY; (B) QUESTION AS TO WHETHER BAHRAIN NEEDS A HIGHER DENOMINATION NOTE THAN THE TEN DINAR NOTE; (C) SHORTAGE OF TEN DINAR NOTES AT END OF EACH PAY PERIOD WHICH LASTS ONLY A FEW DAYS BEFORE MARKET IS WELL-SUPPLIED AGAIN.

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3. RESULTS: (A) BAHRAIN PUBLIC APPARENTLY EASILY ADAPTED

TO USE OF DIRHAM WITH FEW PROBLEMS; (B) HIGHER DENOMINATION NOTE PROVIDED BY THE ONE THOUSAND DIRHAM NOTE (EQUALS ONE HUNDRED BAHRAIN DINARS) THOUGHT TO BE TOO HIGH - FOR MANY OF THE BAHRAIN PUBLIC THERE IS NEED TO IMMEDIATELY CASH SUCH A NOTE AND THUS CAUSE A RUN ON CHANGE IN THE MARKET - WHAT IS NEEDED IS A TWENTY DINAR OR AT MOST FIFTY DINAR NOTE; AND (C) THE USE OF THE DIRHAM NOTE ALLEVIATED TEMPORARILY THE SHORTAGE OF TEN DINAR NOTES, BUT AS SOON AS THE PUBLIC GOT THE MARKET TO CASH THE THOUSAND DIRHAM NOTE, THE SHORTAGE AGAIN WAS ACUTE.

4. USE OF BAHRAIN DINAR IN UAE. BMA CLAIMS TO BE WELL-SATISFIED WITH RECEPTION BAHRAIN DINAR HAS RECEIVED IN THE UAE, PARTICULARLY ABU DHABI. SOME REPORTS HAVE BEEN RECEIVED, HOWEVER, THAT IN DUBAI AND TO A LESSER EXTENT SHARJAH, BAHRAIN TRAVELLERS HAVE HAD TROUBLE USING THEIR BAHRAIN MONEY.
TWINAM

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